

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
1998 Biennial Regulatory Review –)	
Review of Depreciation Requirements)	CC Docket No. 98-137
for Incumbent Local Exchange Carriers)	
)	
Ameritech Corporation Telephone Operating)	
Companies' Continuing Property Records)	CC Docket No. 99-117
Audit, et. al.)	
)	
GTE Telephone Operating Companies)	
Release of Information Obtained During)	AAD File No. 98-26
Joint Audit)	

REPLY COMMENTS OF U S WEST COMMUNICATIONS, INC.

James T. Hannon
Suite 700
1020 19th Street, N.W.
Washington, DC 20036
(303) 672-2860

Attorney for

U S WEST COMMUNICATIONS, INC.

Of Counsel,
Dan L. Poole

April 28, 2000

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REPLY COMMENTS OF U S WEST COMMUNICATIONS, INC.

The Federal Communications Commission (“Commission”) initiated this Further Notice of Proposed Rulemaking (“Notice” or “FNPRM”) ¹ in response to an Ex Parte filed by the Coalition for Affordable Local and Long Distance Service (“CALLS Coalition”) on March 3, 2000.² In their Ex Parte the CALLS Coalition members laid out a process “to eliminate the disparity that exists between the

¹ In the Matter of 1998 Biennial Regulatory Review – Review of Depreciation Requirements for Incumbent Local Exchange Carriers, Ameritech Corporation Telephone Operating Companies’ Continuing Property Records Audit, et. al., GTE Telephone Operating Companies Release of Information Obtained During Joint Audit, CC Docket No. 98-137, CC Docket No. 99-117, AAD File No. 98-26, Further Notice of Proposed Rulemaking, FCC 00-119, rel. Apr. 3, 2000.

² See Ex Parte letter to Mr. Lawrence Strickling, Chief, Common Carrier Bureau from Frank J. Gumper, Bell Atlantic Network Service, Robert Blau, BellSouth Corporation, Donald E. Cain, SBC Telecommunications, Inc. and Alan F. Ciamporcerro, GTE Service Corporation in CC Docket Nos. 96-262, 94-1, 99-249 and 96-45, dated Mar. 3, 2000 (“March 3 Ex Parte letter”).

regulatory and financial accounting for depreciation expense and associated reserve balances.”³ They proposed to achieve this by filing a joint petition for waiver in accordance with the Commission’s recent Depreciation Order.⁴ In its FNPRM, the Commission noted that it might be more appropriate to modify the Commission’s rules for all price cap carriers⁵ and requested comment on the CALLS Coalition’s depreciation proposal and its potential impact.

I. INTRODUCTION AND SUMMARY

On April 17, 2000, in opening comments, U S WEST noted its fundamental disagreement with the Commission’s unnecessary regulation of the depreciation practices and rates of price cap carriers. U S WEST also observed that Louisiana Public Service v. FCC⁶ made it very clear that the Commission does not have the authority to regulate intrastate depreciation rates and practices -- either directly or indirectly. U S WEST argued that any amortization associated with moving to more realistic depreciation service lives should be above-the-line and urged the Commission to allow price cap carriers the discretion to opt-in to any depreciation rules adopted in this proceeding.

³ Id. at 1.

⁴ In the Matter of 1998 Biennial Regulatory Review – Review of Depreciation Requirements for Incumbent Local Exchange Carriers, United States Telephone Association’s Petition for Forbearance from Depreciation Regulation of Price Cap Local Exchange Carriers, Report and Order in CC Docket No. 98-137, Memorandum Opinion and Order in ASD 98-91, 15 FCC Rcd. 242, 247-49 ¶¶ 11-17 (1999) (“Depreciation Order”).

⁵ Id. at 244 ¶ 3.

⁶ See Louisiana Public Service Commission v. FCC, 476 U.S. 355, 374 (1986).

Twenty other parties filed comments in response to the Commission's Notice.⁷ Other than the CALLS Coalition members and other local exchange carriers ("LEC"), commenting parties found much to complain about in the CALLS Coalition's depreciation proposal. If these criticisms were read in isolation, one could easily conclude that pervasive regulation of LEC depreciation practices and comprehensive reporting requirements are necessary to ensure that LEC prices are just and reasonable. Nothing could be further from the truth in the current price cap environment where the Commission's depreciation rules are one of the last remaining vestiges of rate of return regulation.⁸

As a price cap carrier and non-signatory to the CALLS proposal, U S WEST has a significant interest in the outcome of any Commission rule change that affects depreciation rates for price cap LECs. U S WEST declined to support the CALLS

⁷ Ad Hoc Telecommunications Users Committee ("Ad Hoc"); Association for Local Telecommunications Services ("ALTS"); AT&T Corp. ("AT&T"); Bell Atlantic telephone companies ("Bell Atlantic"); BellSouth Corporation ("BellSouth"); Cincinnati Bell Telephone Company ("CBT"); Florida Public Service Commission ("FPSC"); General Services Administration ("GSA"); GTE Service Corporation ("GTE"); Indiana Utility Regulatory Commission ("IURC"); International Communications Association and the Consumer Federation of America ("ICA/CFA"); MCI WorldCom, Inc. ("MCI"); National Association of Regulatory Utility Commissioners ("NARUC"); National Exchange Carrier Association, Inc. ("NECA"); National Rural Telecom Association and the Association for the Promotion and Advancement of Small Telecommunications Companies; National Telephone Cooperative Association ("NTCA"); Public Service Commission of Wisconsin ("Wisconsin PSC"); Public Utilities Commission of Ohio ("Ohio PUC"); SBC Communications Inc. ("SBC"); United States Telecom Association ("USTA").

⁸ The fact that it is unnecessary to subject price cap LECs to comprehensive regulation of depreciation rates and practices on a going-forward basis in no way implies that the Commission should ignore past under-depreciation which has benefited ratepayers at the expense of shareholders.

Coalition's depreciation proposal because it is one-sided and unfairly harms shareholders' interests. Ironically, many commenters saw it quite differently -- they were of the firm opinion that no price is too high for CALLS members and their shareholders to pay to obtain relief from the Commission's unnecessary depreciation rules. To add insult to injury, many of these commenters asserted that an above-the-line amortization would distort earnings⁹ and requested that the Commission impose additional reporting and forecasting requirements on price cap LECs.¹⁰ Thus, while U S WEST supports eliminating depreciation requirements for price cap carriers, it does not support the CALLS Coalition's depreciation proposal contained in their Ex Parte or any of the more onerous modifications suggested by many commenting parties.

II. COMMENTERS ARE MISTAKEN IN THEIR BELIEF THAT THE COMMISSION HAS THE AUTHORITY TO ADOPT RULES REGARDING STATE DEPRECIATION RATES OR PRACTICES

Numerous commenters either urge the Commission to adopt rules affecting intrastate depreciation rates and practices or imply that the Commission has the authority to do so.¹¹ These parties are sadly mistaken -- the Commission has no such authority to establish State depreciation rates or practices,¹² regardless of the

⁹ See Ad Hoc at Section B; ALTS at 4; FPSC at 2-4; GSA at 4-6; ICA/CFA at 3-4; MCI at 6-7.

¹⁰ See NARUC at 8-9; GSA at 8; MCI at 29.

¹¹ See, e.g., ALTS at 4-5; Ad Hoc at Section A.

¹² Surprisingly, NARUC was strangely silent on the issue of the Commission's jurisdiction, or lack thereof, over State depreciation rates and practices. One can only presume that NARUC believed that the financial interests of State ratepayers would be best served by avoiding any discussion of the fact that the Commission has

merits or goals of any such action. As U S WEST noted in its comments, the Supreme Court resolved any uncertainty with respect to the Commission's authority to regulate State depreciation rates and practices in Louisiana Public Service.¹³ As such, the Commission should limit the current proceeding to interstate matters. Any attempt to condition interstate relief on "firm commitments" at the State level would be both ill-advised and unlawful, as U S WEST noted in its opening comments.¹⁴

III. COMMENTERS' AMORTIZATION ARGUMENTS IGNORE THE FACT THAT LEC INVESTMENTS WERE "PRUDENT" AND EQUIPMENT IS "USED AND USEFUL" IN THE PROVISION OF REGULATED TELECOMMUNICATIONS SERVICE

Numerous parties assert that any relief from the Commission's depreciation rules should be conditioned upon a below-the-line charge, rather than the proposed above-the-line amortization.¹⁵ This is nonsense. It is akin to enjoying a fine meal in a restaurant and refusing to pay the bill because the meal has already been consumed. These parties imply either that LECs have not prudently invested their capital or that these investments are not used and useful in the provision of

no jurisdiction over State depreciation rates and practices and that it may not condition relief from federal depreciation rules on commitments at the State level.

¹³ See Louisiana Public Service Commission v. FCC, 476 U.S. at 374. Under Section 152(b) of the Act, States retain jurisdiction over depreciation charges and practices for intrastate telephone plant. See 47 U.S.C. § 152(b).

¹⁴ And see SBC at 11-12.

¹⁵ See MCI at 11-14; GSA at 6; NARUC at 5; Ad Hoc at Section A; ICA/CFA at 4.

regulated telecommunications services.¹⁶ Neither of these implications has a scintilla of merit.

The problem is that ratepayers have enjoyed the benefits of uneconomically low depreciation rates for years and now numerous commenters, including State regulatory agencies,¹⁷ want price cap LECs to treat a large portion of the expense associated with these investments as if these investments were never used in the provision of regulated telephone service. U S WEST will not be a party to this fiction -- even if for some unknown reason the CALLS participants capitulate on the amortization issue. Not only is an above-the-line amortization appropriate since the plant in question has been used in the provision of regulated telephone service, it would also be consistent with the Commission's past treatment of depreciation reserve deficiencies, as LECs have noted.¹⁸

While many commenters seize on the fact that a five-year amortization would reduce "price cap" carriers' rates of return from the level that they would be under existing depreciation rules,¹⁹ they largely ignore the fact that a below-the-line write-

¹⁶ Ad Hoc quotes the Commission and observes that a below-the-line charge creates a rebuttable presumption that the expense will be disallowed in a rate case. Ad Hoc at 5. MCI cites to an earlier Commission order and states: "Treating this expense as 'above-the-line' would be contrary to the well-established principle that a carrier's revenue requirement may not include 'any expense incurred as a result of carrier conduct that cannot reasonably be expected to benefit ratepayers.'" MCI at 11.

¹⁷ See Wisconsin PSC at 4-5; IURC at 5; NARUC at 5. And see FPSC at 2-4.

¹⁸ See BellSouth at 7-8; SBC at 6-7; GTE at 8-9.

¹⁹ See ICA/CFA at 3; MCI at 6-8; GSA at 4-6. It is interesting to note that while commenters go to great lengths to criticize the CALLS depreciation proposal and other LEC proposals for simplifying and eliminating unnecessary depreciation

off would, in all likelihood, artificially inflate LECs' rates of return by reducing both the rate base and the new interstate depreciation rates.²⁰ Thus, while currently reported rates of return for price cap LECs are inflated due to overly-long service lives, a below-the-line write-off, as suggested by many commenters, would further distort these returns by treating a large portion of LEC investment as if it had never been used in the provision of regulated telephone service. A much more reasonable and realistic approach is for the Commission to allow an above-the-line amortization over a five-year period, as proposed by the CALLS participants. There is little, if any, possibility that this approach would affect price cap LECs' rates and it would send the proper signal to investors.

IV. THE COMMISSION SHOULD REDUCE ITS REPORTING REQUIREMENTS, RATHER THAN INCREASING THEM, IF IT ADOPTS RULES TO IMPLEMENT THE CALLS COALITION'S DEPRECIATION PROPOSAL

A number of commenters use the Commission's Notice as an excuse to suggest that price cap LECs be required to submit even more data on depreciation practices and rates.²¹ The Commission should decline to further burden LECs with unnecessary reporting requirements. While these requests may be well-intentioned and have a superficial appearance of providing the Commission with helpful

rules, never once do they ever refer to their own depreciation rates or practices as examples of what would be reasonable for LECs. This silence might be explainable if many of these commenters were not in exactly the same business as price cap LECs. It is not as if price cap LECs are using their equipment (e.g., central office switches) for completely different purposes than competitive LECs or interexchange carriers.

²⁰ See GTE at 5; GSA at 5.

information for decision-making purposes, in reality, preparation and review of such reports is not a good use of either the Commission's resources or those of price cap LECs. Furthermore, the Commission has sufficient authority to gather whatever accounting or financial information that it may need on a case-by-case basis, if the need arises.

Conversely, the Commission should seriously consider reducing LEC reporting requirements for depreciation purposes. Depreciation no longer plays the central role that it once did under rate of return regulation or even under price cap regulation with sharing. The only place where depreciation expense could have an impact on rates under the current price cap plan is through the low-end adjustment. This is hardly sufficient reason to require price cap LECs to continue to report the same level of detail as they have in the past. Furthermore, if the CALLS Coalition's depreciation proposal is adopted, there will be even less justification for the Commission's detailed depreciation rules for price cap LECs.

V. COMMENTERS ARE MISTAKEN IN THEIR CLAIMS THAT
CPR AUDITS COULD IMPACT PRICE CAP RATES

Commenters conveniently ignore the fact that the Commission has taken no position on the Accounting Safeguards Division's ("ASD") draft on its Continuing Property Records ("CPR") audit findings.²² However, even if the Commission found

²¹ See NARUC at 8-9; GSA at 8; MCI at 29.

²² See U S WEST at 9 n.27, where U S WEST observed that contrary to the implication of the FNPRM, the Commission had not made any findings on the ASD's draft audit reports (or their findings or conclusions). Also see, In the Matters of: Ameritech Corporation Telephone Operating Companies' Continuing Property Records Audit, etc., Notice of Inquiry, 14 FCC Rcd. 7019 ¶ 1 (1999). Other LECs

the ASD's findings of missing plant to be true -- which they are not in the case of U S WEST -- there could be no impact on price cap rates for two reasons. First, contrary to the ridiculous assertion of some commenters,²³ the results of CPR audits performed in mid-1997 cannot be used to modify history and reset the price cap rates established at the inception of LEC price cap regulation in 1991 (long before the CPR audits were conducted). The audits provide no evidence of what existed in 1990 and neither Generally Accepted Auditing Standards nor Generally Accepted Government Auditing Standards provide any support for "retroactive" application of audit results.²⁴

Furthermore, as U S WEST and other LECs have demonstrated in their comments in the CPR audit proceeding, the use of mass asset accounting and equal life group depreciation insures that the alleged discrepancies would have no impact on customer rates under either rate of return or price cap regulation.²⁵ Regardless of the fact that a non-recoverable amortization of the depreciation reserve deficiencies proposed by the LEC signatories to the CALLS Coalition's proposal would more than offset (and thereby moot) any possible CPR impact, the

made this same observation in their comments. SBC at 16-17; Bell Atlantic at 6. And see BellSouth at 12-14.

²³ See AT&T at 3-4; MCI at 30-32; Ad Hoc at Section B.

²⁴ See Declaration of Carl Geppart at 11-12 attached to U S WEST Reply Comments, CC Docket No. 99-117, filed Oct. 25, 1999 ("U S WEST CPR Reply Comments"); see also U S WEST Comments, CC Docket No. 99-117, filed Sep. 23, 1999 at 27-28 ("U S WEST CPR Comments").

²⁵ See U S WEST CPR Comments, incorporating by reference the Affidavit of William E. Taylor, attached to the Comments of the USTA, CC Docket No. 99-117, filed Sep. 13, 1999.

Commission should not be swayed by commenters' attempts in this proceeding to breathe new life into the fatally-flawed CPR audit reports.²⁶ They are beyond redemption!²⁷

VI. CONCLUSION

For the foregoing reasons, the Commission should reject the suggestions of commenters that any amortization associated with the CALLS Coalition's depreciation proposal be below-the-line or that reporting requirements be increased.

²⁶ In order to add weight to the baseless claim that CPR audit results will impact price cap rates, AT&T simply resubmitted its Comments and Reply Comments from the CPR audit proceeding, CC Docket No. 99-117, originally filed Sep. 23, 1999 and Oct. 25, 1999, respectively. As U S WEST pointed out in its CPR Reply Comments at 10-11, AT&T's position is based on the unsubstantiated claim that "phantom" plant exists on the books of the Regional Bell Operating Companies ("RBOC"). In making this and other equally ridiculous claims, AT&T totally ignored the detailed responses of U S WEST and other RBOCs to the ASD's draft audit reports.

Furthermore, in supporting the ASD's flawed audit report and findings, AT&T and its experts refused to address the numerous problems with the ASD's sampling and extrapolation methodologies that were raised by U S WEST's statistical expert, Ms. Ann Thornton, National Director, Data Quality and Integrity Services, at Deloitte & Touche LLP, from Aug. 20, 1998 onward. In addition to failing to address any of the concerns voiced by Ms. Thornton, AT&T's "statistical" expert, Mr. Robert Bell, proffers unorthodox views on the significance of the sample mean and point estimates that find no support in statistical theory or the associated literature. Attached hereto as Attachment A is the letter from Ms. Thornton to Mr. Mark Link, dated Mar. 28, 2000, which summarizes the numerous issues that she raised with respect to the ASD's audit and her comments on Mr. Bell's Reply Affidavit.

²⁷ This is best illustrated by the fact that in its Oct. 22, 1999 Public Notice, the ASD announced that it was increasing its estimate of missing hardwired Central Office Equipment investment for U S WEST by \$125 million due to a "substantial processing error." See Public Notice, Corrections to Audit Reports of Bell Operating Companies' Continuing Property Records, CC Docket No. 99-117, ASD File No. 99-22, DA 99-2282, rel. Oct. 22, 1999. As U S WEST stated in its Supplemental Reply Comments: "Neither the Public Notice nor the ASD's revised audit report provide an inkling of what actually happened or why it took the ASD over a year to discover

From U S WEST's perspective, the original CALLS Coalition's proposal was biased against shareholders, and this bias would be increased significantly if any of the suggested revisions of commenters are adopted by the Commission.

Respectfully submitted,

U S WEST COMMUNICATIONS, INC.

By: James T. Hannon
James T. Hannon
Suite 700
1020 19th Street, N.W.
Washington, DC 20036
(303) 672-2860

Its Attorney

Of Counsel,
Dan L. Poole

April 28, 2000

its error." See U S WEST's Supplemental Reply Comments, CC Docket No. 99-117, filed Nov. 3, 1999 at 2-3.

ATTACHMENT A

Deloitte & Touche



Deloitte & Touche LLP
Two Prudential Plaza
180 North Stetson Avenue
Chicago, Illinois 60601-6779

Telephone: (312) 946-3000
Facsimile: (312) 946-2600

March 28, 2000

Mr. Mark Link
Executive Director – Corporate Accounting
US WEST Communications, Inc.
1801 California Street
Denver, CO 80202

Dear Mr. Link:

Deloitte & Touche LLP was asked by US West, Inc. to read and provide comments related to sampling methodologies and issues as described in several documents:

1. the draft FCC report, "Audit of Continuing Property Records of US West as of June 30, 1997; Report of Audit Findings" (the "August FCC Report")
2. the December 22, 1998 draft of the "Audit of Continuing Property Records of US West as of June 30, 1997; Report of Audit Findings" (the "December FCC Report").
3. Affidavit of Robert M. Bell, PhD, filed September 23, 1999
4. Affidavit of James K. Loebbecke, CPA, filed September 23, 1999
5. Comments of AT&T Corp, filed September 23, 1999
6. MCI Worldcom Comments, filed September 23, 1999
7. Letter of William Kennard to Congressmen Tanzin and Dingell dated February 24, 1999
8. A revised draft of the FCC report, released on October 22, 1999 pursuant to Public Notice DA 99-2282 (the "October 1999 FCC Report")

We provided US West with a letter dated August, 18, 1998 containing our comments on the "August FCC Report" (document 1), a letter dated January 8, 1999 containing our comments on the "December FCC Report" (document 2), a letter dated October 25, 1999 containing our comments on documents 3-7, and a letter dated November 1, 1999 containing our comments on the "October 1999 FCC Report" (document 8). A copy of those letters is attached hereto.

**Deloitte Touche
Tohmatsu**

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You have now asked us to read several other documents and provide comments on whether the concerns raised in our letters of August 18, 1998 and of January 8, 1999 (which included several concerns that could affect the validity of the estimates) have been adequately addressed. The documents you have provided to us for this purpose are as follows:

- Reply Affidavit of Robert M. Bell, PhD, filed October 25, 1999
- Reply Affidavit of James K. Loebbecke, CPA, filed October 25, 1999
- Reply Comments of AT&T Corp, filed October 25, 1999
- MCI Worldcom Reply Comments, filed October 25, 1999

Overall, these documents either do not address or do not adequately address our observations from previous letters. See Attachment 1 for a detailed table which lists the status of 17 observations made in our prior letters. Observations #1-12 have not been adequately addressed since they were last raised in our letter of October 25, 1999. In fact, the discussion of statistical issues in the most recent documents does not appear to differ significantly from the discussions in documents #3-6 (referenced above). Observations #13-17, which were first raised in our letter of November 1, 1999, do not appear to have been addressed at all.

We have noted one aspect of the reply comments and affidavits that we should respond to: Mr. Bell has cited various statistical references to support his contention that "point estimates are designed to provide the best approximation of the true value" (Bell, p.11). As we have stated before (see Observation #9 in our letter of October 25, 1999), we believe that Mr. Bell places too much emphasis on the point estimate without appropriately considering the corresponding confidence interval and precision. We have therefore provided additional arguments and statistical citations in Attachment 1 to support our position, that a point estimate is not meaningful unless it is accompanied by a confidence interval.

The size of a confidence interval is important, because it provides a measurement of the uncertainty around a point estimate. *In our view (and that view has been supported by Wonnacott and Loebbecke, cited below), it is not appropriate to ignore the size of the confidence interval, as Mr. Bell does, and instead emphasize the point estimate as the "best approximation of the true value" of the population.* If a confidence interval is very large in relation to an estimate, it may indicate that it is impractical to use the estimate to draw conclusions about a population. For example, the total size of the confidence interval calculated by the ASD is currently \$484.8 million, which appears large compared to the current point estimate of \$505.8 million. *One can never be reasonably confident that a point estimate is correct, because the probability that the point estimate exactly equals the true population value approaches zero. Therefore, it is important to look at the entire confidence interval when performing a statistical extrapolation.*

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In summary, neither Mr. Bell's reply affidavit nor any of the other reply documents referenced above adequately respond to observations made in our letters of August 18, 1998, January 8, 1999, October 25, 1999, and November 1, 1999. In addition, we continue to have concerns that the approach taken by the ASD may result in invalid sampling estimates. We reiterate that, even if the estimate is in fact valid, the size of the precision range, because it is so large in relation to the estimate, creates doubt as to the practicality of using the range for concluding as to the actual amount of error in the population.

Yours truly,

A handwritten signature in black ink, appearing to read "Ann Thornton", is written over the closing "Yours truly,".

Ann Thornton, Director

National Director, Data Quality and Integrity Services

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ATTACHMENT #1

Observation	Brief Description of D&T's Earlier Observation	D&T Comment on Most Recent Documents
1	Criteria used on excluding over 500 offices from population was not explained.	No further explanation provided. We reiterate our October 1999 concern.
2	The process used to replace certain original sample selections was not documented.	No further explanation provided. We reiterate our October 1999 concern.
3	The rationale for using a high number of strata, with relatively few selections per strata was not documented.	No acknowledgement of observation or any response thereto. We reiterate our October 1999 concern.
4	The explanation of sample design did not address the choice of the number of offices and the stratification of offices.	No further explanation provided. We reiterate our October 1999 concern.
5	Random selection based on units was used, rather than dollar-based sampling, which is more typically used when evaluating the value of accounting populations, especially populations in which the value of individual items varies widely.	No further explanation provided. We reiterate our October 1999 concern.
6	The precision range was very large, reducing the predictive value of the estimate of error in the population.	No acknowledgement of observation or any response thereto. We reiterate our October 1999

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Observation	Brief Description of D&T's Earlier Observation	D&T Comment on Most Recent Documents
		concern.
7	There was not any reference to sampling guidelines for precision.	No acknowledgement of observation or any response thereto. We reiterate our October 1999 concern.
8	Documentation was not provided for why mean-per-unit estimators were used, instead of ratio estimators (mean-per-unit estimators usually result in a larger precision range)	No further explanation provided. We reiterate our October 1999 concern.
9	Sampling theory does not support the assertion that the actual cost of missing plant lies closer to the mid-point of the range.	Mr. Bell and AT&T inappropriately emphasize the importance of the point estimate, which is contrary to cited statistical literature (see below). We reiterate our concern.
10	Accounting standards do not support using the high end of a range of error, when all points in the range are equally likely of being the actual error.	FCC Comment removed prior to January 8, 1999 letter. Response resolved our comment.
11	Understatement errors were not considered as an offset to the findings that the population may be overstated.	Understatement errors still are not offset against the FCC's estimate of overstatement errors.
12	No references, formulas, or descriptions of the precise Bayesian approach used were provided.	No acknowledgement of observation or any response thereto.
13	The FCC failed to document in sufficient detail the nature of the mistake that was made.	No acknowledgement of observation or any response thereto.

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Observation	Brief Description of D&T's Earlier Observation	D&T Comment on Most Recent Documents
14	Even though the number of CPR errors reported did not change, the estimate of the percentage error rate decreased while the estimate of the dollars of error increased significantly.	No acknowledgement of observation or any response thereto.
15	The size of and delay in reporting the "correction" casts doubts on the adequacy of the quality assurance process associated with the FCC audit reports.	No acknowledgement of observation or any response thereto.
16	Bayesian analysis does not reliably corroborate the FCC's findings, given that the Bayesian analysis was also used to "corroborate" the FCC's prior findings.	No acknowledgement of observation or any response thereto.
17	The FCC implies that US West should have and could have recalculated the statistical calculations in the report. We disagree.	No acknowledgement of observation or any response thereto.

Additional detail behind Observation #9:

Mr. Bell has cited various statistical references to support his contention that "point estimates are designed to provide the best approximation of the true value" (Bell, p.11). We do not believe that either Mr. Bell's cited references nor statistical theory provide adequate support for his assertion. As we have stated before (see Observation #9 in our letter of October 25, 1999), we believe that Mr. Bell inappropriately emphasizes the point estimate without considering the corresponding confidence interval and precision.

We referred to at least one edition of every book cited in footnote 12 of Bell's reply affidavit (citations to Wonnacott, Hogg and Craig, and Mood are made in footnote 12 of Bell, p. 11), and we have been unable to find support for emphasizing the point estimate while ignoring the size of the corresponding confidence interval. It is difficult to evaluate the precise relevance

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of the sources which he cites to support his argument, because each of his citations spans many pages (he cites more than 90 pages of Mood, more than 30 pages of Craig, and more than 20 pages of Wonnacott).

Moreover, Mr. Bell's reply neither addresses nor refutes the following passage from Loebbecke, which we first cited in our October 25, 1999 letter : "the sample mean has no greater chance of exactly equaling the true but unknown population mean than has any other value in the confidence interval" (Loebbecke, *Applications of Statistical Sampling to Auditing*, p. 115).

Mr. Bell has also not addressed the following passage from Wonnacott, which also supports our position: "Accordingly, if we want to be reasonably confident that our inference is correct, we cannot claim that [the population mean] is precisely equal to the observed [sample mean]. Instead, we must construct an interval estimate or confidence interval..." [emphasis added, the term "population mean" is substituted for the Greek letter Mu and the term "sample mean" is substituted for the term X-bar] (Wonnacott, *Introductory Statistics for Business and Economics*, 3rd edition, p. 220).

In our view (and that view has been supported by Wonnacott and Loebbecke, cited above), it is not appropriate to ignore the size of the confidence interval and instead emphasize the point estimate as the "best approximation of the true value" of the population (Bell, p. 11). In practical applications of statistics, it is very important to be "reasonably confident" (to use Wonnacott's term) that the inference drawn is correct. One can never be reasonably confident that a point estimate is correct, because the probability that the point estimate exactly equals the true population value approaches zero. Therefore, it is important to look at the entire confidence interval when performing a statistical extrapolation.

CERTIFICATE OF SERVICE

I, Kristi Jones, do hereby certify that I have caused 1) the foregoing **REPLY COMMENTS OF U S WEST COMMUNICATIONS, INC.** to be filed electronically with the FCC by using its Electronic Comment Filing System, 2) a courtesy copy of the **REPLY COMMENTS** to be served, via hand delivery, upon all persons listed on the attached service list (marked with an asterisk), 3) a diskette copy of the **REPLY COMMENTS** to be served, via hand delivery, upon the persons/entity listed on the attached service list (marked with a number sign), and 4) a copy of the **REPLY COMMENTS** to be served, via first class United States mail, postage prepaid, upon all other persons listed on the attached service list.

Kristi Jones
Kristi Jones

April 28, 2000

*William E. Kennard
Federal Communications Commission
8th Floor
Portals II
445 12th Street, S.W.
Washington, DC 20554

*Gloria Tristani
Federal Communications Commission
8th Floor
Portals II
445 12th Street, S.W.
Washington, DC 20554

*Michael K. Powell
Federal Communications Commission
8th Floor
Portals II
445 12th Street, S.W.
Washington, DC 20554

*Harold Furchtgott-Roth
Federal Communications Commission
8th Floor
Portals II
445 12th Street, S.W.
Washington, DC 20554

*Susan P. Ness
Federal Communications Commission
8th Floor
Portals II
445 12th Street, S.W.
Washington, DC 20554

*Lawrence E. Strickling
Federal Communications Commission
Room 5-C345
Portals II
445 12th Street, S.W.
Washington, DC 20554

*Kenneth P. Moran
Federal Communications Commission
Room 6-B201
Portals II
445 12th Street, S.W.
Washington, DC 20554

*Debbie Byrd
Federal Communications Commission
Room 6-C316
Portals II
445 12th Street, S.W.
Washington, DC 20554

#International Transcription
Services, Inc.
1231 20th Street, N.W.
Washington, DC 20036

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Colleen Boothby
Levine, Blaszak, Block
& Boothby, LLP
Suite 900
2001 L Street, N.W.
Washington, DC 20036

ADHOC

Patricia Kravtin
Economics and Technology, Inc.
One Washington Mall
Boston, MA 02108-2617

Teresa K. Gaugler
Jonathan Askin
Association for Local
Telecommunications Services
Suite 900
888 17th Street, N.W.
Washington, DC 20006

Mark C. Rosenblum
Peter H. Jacoby
Judy Sello
AT&T Corp.
Room 3245H1
295 North Maple Avenue
Basking Ridge, NJ 07920

David M. Levy
David L. Lawson
James P. Young
Rudolph M. Kammerer
Christopher T. Shenk
Sidley & Austin
1722 I Street, N.W.
Washington, DC 20006

AT&T

Michael E. Glover
Edward Shakin
Bell Atlantic Telephone Companies
8th Floor
1320 North Court House Road
Arlington, VA 22201

M. Robert Sutherland
Stephen L. Earnest
BellSouth Corporation
Suite 1700
1155 Peachtree Street, N.E.
Atlanta, GA 30309-3610

Christopher J. Wilson
Delia Reid Saba
Cincinnati Bell Telephone Company
201 East 4th Street
Cincinnati, OH 45202

George N. Barclay
Michael J. Ettner
General Services Administration
Room 4002
1800 F Street, N.W.
Washington, DC 20405

Gail L. Polivy
GTE Service Corporation
12th Floor
1850 M Street, N.W.
Washington, DC 20036

Thomas R. Parker
GTE Service Corporation
MS HQ-E03J43
600 Hidden Ridge
POB 152092
Irving, TX 75015-2092

Jeffrey S. Linder
Suzanne Yelen
Wiley, Rein & Fielding
1776 K Street, N.W.
Washington, DC 20006

GTE

David E. Ziegner
Camie Swanson-Hull
Indiana Utility Regulatory Commission
Suite E306
302 West Washington
Indianapolis, IN 46204

Brain R. Moir
Moir & Hardman
Suite 901
1828 L Street, N.W.
Washington, DC 20036-5117

ICA

Mark Cooper
Consumer Federation of America
Suite 604
1424 16th Street, N.W.
Washington, DC 20036

Alan Buzacott
MCI WorldCom, Inc.
1801 Pennsylvania Avenue, N.W.
Washington, DC 20006

James Bradford Ramsey
National Association of
Regulatory Utility Commissioners
Suite 200
1101 Vermont Avenue, N.W.
Washington, DC 20006

Richard A. Askoff
Joe A. Douglas
National Exchange Carrier
Association, Inc.
80 South Jefferson Road
Whippany, NJ 07981

Alfred G. Richter, Jr.
Roger K. Toppins
Barbara R. Hunt
SBC Communications Inc.
Suite 1100
1401 I Street, N.W.
Washington, DC 20005

Cynthia B. Miller
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Margot Smiley Humphrey
Koteen & Naftalin, LLP
Suite 1100
1150 Connecticut Avenue, N.W.
Washington, DC 20036

NRTA

Stuart Polikoff
OPASTCO
Suite 700
21 Dupont Circle, N.W.
Washington, DC 20036

L. Marie Guillory
Daniel Mitchell
National Telephone
Cooperative Association
10th Floor
4121 Wilson Boulevard
Arlington, VA 22203-1801

Lynda L. Dorr
Wisconsin Public Service
Commission
610 North Whitney
POB 7854
Madison, WI 53707

Steven T. Nourse
Public Utilities Commission of Ohio
7th Floor
180 East Broad Street
Columbus, OH 43215

Julie Rones
United States Telecom Association
Suite 600
1401 H Street, N.W.
Washington, DC 20005-2164

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